

**SUBSTITUTE FOR  
HOUSE BILL NO. 5131**

A bill to amend 2008 PA 551, entitled  
"Uniform securities act (2002),"  
(MCL 451.2101 to 451.2703) by amending the title, as amended by  
2014 PA 355, and by adding article 5A.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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TITLE

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An act to enact the uniform securities act (2002) relating to  
the issuance, offer, sale, or purchase of securities; to prohibit  
fraudulent practices in relation to securities; to establish civil  
and criminal sanctions for violations of the act and civil  
sanctions for violation of the rules promulgated ~~pursuant to~~ **under**  
the act; to require the registration of broker-dealers, agents,  
investment advisers, and securities; to regulate Michigan

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1 investment markets; to make uniform the law with reference to  
 2 securities; to authorize certain actions to protect certain  
 3 specified adults from financial exploitation; to prescribe the  
 4 powers and duties of certain state governmental officers and  
 5 agencies; and to repeal acts and parts of acts.

6 ARTICLE 5A

7 FINANCIAL EXPLOITATION OF SPECIFIED ADULTS

8 Sec. 531. As used in this article:

9 (a) "Account" means any account with a broker-dealer or  
 10 investment advisor for which a specified adult has the authority to  
 11 transact business.

12 (b) "Financial exploitation" means any of the following:

13 (i) The wrongful or unauthorized taking, withholding,  
 14 appropriation, or use of a specified adult's funds or securities.

15 (ii) Any act or omission by a person, including through the use  
 16 of a power of attorney, guardianship, or any other authority  
 17 regarding a specified adult, to do any of the following:

18 (A) Obtain control, through deception, intimidation, or undue  
 19 influence, over the specified adult's money, assets, or property.

20 (B) Convert the specified adult's money, assets, or property.

21 (c) "Specified adult" means any of the following:

22 (i) An individual who is 65 years of age or older.

23 (ii) An individual who is 18 years of age or older and who the  
 24 broker-dealer or investment advisor reasonably believes has a  
 25 mental or physical impairment that renders the individual unable to  
 26 protect his or her own interests.

27 Sec. 533. (1) A broker-dealer or investment advisor may place  
 28 a temporary hold on a disbursement of funds or securities from an  
 29 account of a specified adult, or any other transaction concerning



1 that account, if all of the following are met:

2 (a) The broker-dealer or investment advisor reasonably  
3 believes that financial exploitation of the specified adult has  
4 occurred, is occurring, has been attempted, or will be attempted.

5 (b) Within 2 business days after the date that the broker-  
6 dealer or investment advisor first placed the temporary hold on the  
7 disbursement of funds or securities, or other transaction, the  
8 broker-dealer or investment advisor provides notification,  
9 electronically or in writing, that is maintained as correspondence  
10 under section 411(3), of the reason for the temporary hold to all  
11 of the following:

12 (i) All parties who are authorized to transact business on the  
13 account, unless a party is unavailable or the broker-dealer or  
14 investment advisor reasonably believes that the party has engaged,  
15 is engaged, or will engage in the financial exploitation of the  
16 specified adult.

17 (ii) To any individual who the specified adult has previously  
18 designated as authorized to receive information about the account,  
19 unless that individual is unavailable or the broker-dealer or  
20 investment advisor reasonably believes that the individual has  
21 engaged, is engaged, or will engage in the financial exploitation  
22 of the specified adult.

23 (c) The broker-dealer or investment advisor immediately  
24 initiates an internal review of the facts and circumstances that  
25 caused the broker-dealer or investment advisor to reasonably  
26 believe that the financial exploitation of the specified adult has  
27 occurred, is occurring, has been attempted, or will be attempted.

28 (2) A temporary hold authorized under this section expires not  
29 later than 15 business days after the date that the broker-dealer



1 or investment advisor first placed the temporary hold on the  
2 disbursement of funds or securities, or other transaction, unless  
3 otherwise terminated or extended by the administrator, another  
4 agency of competent jurisdiction, or a court of competent  
5 jurisdiction, or unless extended under subsection (3).

6 (3) If the broker-dealer's or investment advisor's internal  
7 review of the facts and circumstances under subsection (1)(c)  
8 supports the broker-dealer's or investment advisor's reasonable  
9 belief that the financial exploitation of the specified adult has  
10 occurred, is occurring, has been attempted, or will be attempted, a  
11 broker-dealer or investment advisor may extend a temporary hold  
12 authorized under this section for not longer than 10 business days  
13 following the date authorized under subsection (2), unless  
14 otherwise terminated or extended by the administrator, another  
15 agency of competent jurisdiction, or a court of competent  
16 jurisdiction.

17 (4) Subsections (2) and (3) do not require the administrator  
18 to extend or terminate a temporary hold authorized under this  
19 section.

20 Sec. 535. (1) A broker-dealer or investment advisor that takes  
21 action under this article shall establish and maintain written  
22 procedures reasonably designed to achieve compliance with this  
23 article, including, but not limited to, procedures related to the  
24 identification, escalation, and reporting of matters related to the  
25 financial exploitation of specified adults.

26 (2) The procedures required under subsection (1) must identify  
27 the title of each individual who is authorized to place, terminate,  
28 or extend a temporary hold on behalf of the broker-dealer or  
29 investment advisor under this article. Only an individual who



1 serves in a supervisory, compliance, or legal capacity for the  
2 broker-dealer or investment advisor is eligible for identification  
3 as an authorized individual under this subsection.

4 Sec. 537. (1) Subject to 15 USC 78o(i)(1) and 15 USC 80b-18a,  
5 and subject to the record-keeping requirements provided in section  
6 411, a broker-dealer or investment advisor shall retain records  
7 related to compliance with this article and ensure that those  
8 records are readily available to the department on request. The  
9 retained records must include records of all of the following:

10 (a) Any requests for a disbursement or other transaction that  
11 a broker-dealer or investment advisor reasonably believed to  
12 constitute financial exploitation of a specified adult and the  
13 resulting temporary hold.

14 (b) Any finding of a reasonable belief that financial  
15 exploitation has occurred, is occurring, has been attempted, or  
16 will be attempted underlying a decision to place a temporary hold  
17 on a disbursement or other transaction.

18 (c) The name and title of any broker-dealer or investment  
19 advisor that authorized a temporary hold on a disbursement or other  
20 transaction.

21 (d) Any notifications to relevant parties under section  
22 533(1)(b).

23 (e) Any internal review of the facts and circumstances  
24 conducted under section 533(1)(c).

25 (2) A broker-dealer or investment advisor shall provide access  
26 to or copies of the records retained under subsection (1) to  
27 agencies of this state charged with administering state adult  
28 protective services laws and to law enforcement, either as part of  
29 a referral to the agency or to law enforcement, or upon request of



1 the agency or law enforcement pursuant to an investigation. The  
2 records may include historical records as well as records relating  
3 to the most recent transaction or transactions that may comprise  
4 financial exploitation or suspected financial exploitation of a  
5 specified adult. All records made available to agencies or law  
6 enforcement under this subsection are not subject to the freedom of  
7 information act, 1976 PA 442, MCL 15.231 to 15.246. This subsection  
8 does not limit or otherwise impede the authority of the  
9 administrator to access or examine the books and records of broker-  
10 dealers and investment advisers as otherwise provided by law.

11 Sec. 539. (1) This article does not require a broker-dealer or  
12 investment advisor to place temporary holds on disbursements of  
13 funds or securities from the accounts of specified adults or other  
14 transactions concerning those accounts.

15 (2) A broker-dealer or investment advisor that relies on this  
16 article shall develop and document training policies or programs  
17 reasonably designed to ensure that the broker-dealer or investment  
18 advisor complies with the requirements of this article.

19 (3) A broker-dealer's or investment advisor's reasonable  
20 belief that an individual who is 18 years of age or older has a  
21 mental or physical impairment that renders the individual unable to  
22 protect his or her own interests may be based on the facts and  
23 circumstances observed in the broker-dealer's or investment  
24 advisor's business relationship with that individual.

25 Enacting section 1. This amendatory act takes effect 90 days  
26 after the date it is enacted into law.

